

## **Program B: Market Compliance**

Program Authorization: Louisiana Constitution of 1974, Article IV, Section 11; Title 36, Chapter 17 of the Louisiana Revised Statute; Title 22 of Louisiana Revised Statutes; Act 83 of 1977 (Reorganization Act); Act 477 of 1992 (Reorganization Act); Act 850 of 1984 (Equal Opportunity in Insurance); Act 517 of 1992 (Operations of Louisiana Insurance Guaranty Association with the Department of Insurance); Act 1312 of 1999 (Insurance Fraud Assessment); and Act 158 of 2000 (Producer Licensing).

### **Program Description**

The mission of the Market Compliance Program is to promote a financially sound, consumer-responsive insurance industry in the state through fair, consistent enforcement of the state's laws, rules and regulations related to the business of insurance, and to propose new laws as needed.

The goals of the Market Compliance Program are:

1. Protect the interests of consumers and the public in matters related to the business of insurance by enforcing existing laws fairly and consistently, and by proposing new laws as needed.
2. Enhance the efficiency and effectiveness of regulatory and consumer services activities by providing and maintaining a viable department infrastructure (management oversight, revenue, fiscal and human resource management, information technology, supplies and equipment, physical plant, etc.).
3. Improve the effectiveness of our efforts on behalf of insurance consumers whose interests we protect, and improve services to the producers and insurers we regulate by assisting the National Association of Insurance Commissioners (NAIC) in developing national regulatory standards that improve the sharing of information about producers and insurers among the states, minimize or eliminate duplication of work,

The Market Compliance Program is organizationally composed of the Office of Licensing and Compliance, the Office of Financial Solvency, the Office of Property and Casualty Insurance, the Office of Health, and the Office of Receivership.

The Office of Licensing and Compliance oversees the licensing (new and renewal) of producers and processes company appointments; oversees the licensing of insurers and related entities requiring licensure; investigates to conclusion Life and Annuity related consumer complaints; reviews and approves or disapproves contract/policy forms (Life and Annuity); investigates reported incidences of suspected insurance fraud and refers cases to law enforcement as appropriate; performs background checks for producer and company licensing divisions; and provides legal representation and services to all regulatory sections within the department.

The Office of Financial Solvency monitors the financial condition of insurers through mandated financial field examinations and analyses; performs market conduct examinations to assure that companies and producers are compliant with applicable laws, rules and regulations in their dealings with consumers; collects insurance premium taxes and surplus lines taxes due the state through annual desk examinations of all insurer tax returns filed and field examination of selected surplus lines brokers.

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The Office of Property and Casualty Insurance investigates to conclusion consumer complaints involving Property & Casualty insurers and producers; reviews and approves or disapproves Property & Casualty contract/policy forms; and performs preparatory and support work on rate and rule change submissions to the Louisiana Insurance Rating Commission.

The Office of Health investigates to conclusion consumer health-insurance related complaints and complaints involving Medical Necessity Review Organizations (MNROs); reviews and approves or disapproves health-insurance related contract/policy forms, rates and advertising; reviews new and renewal applications for licensing of MNROs; performs examination of MNROs; and provides health insurance information and assistance to senior citizens through SHIIP (Senior Health Insurance Information Program).

The Office of Receivership manages, with court-approval, the liquidation of the assets of companies in receivership and brings the estates of companies in receivership to court-approved closure.

## RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 2001-2002	ACT 13 2002-2003	EXISTING 2002-2003	CONTINUATION 2003-2004	RECOMMENDED 2003-2004	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	15,587,650	16,371,048	16,582,063	17,290,908	16,844,603	262,540
Statutory Dedications	730,088	846,352	846,352	850,973	868,870	22,518
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	198,252	201,878	212,330	205,913	209,436	(2,894)
TOTAL MEANS OF FINANCING	<b>\$16,515,990</b>	<b>\$17,419,278</b>	<b>\$17,640,745</b>	<b>\$18,347,794</b>	<b>\$17,922,909</b>	<b>\$282,164</b>
EXPENDITURES & REQUEST:						
Salaries	\$8,566,348	\$9,023,733	\$8,902,396	\$9,185,495	\$9,084,447	\$182,051
Other Compensation	624,056	543,449	543,449	543,449	543,449	0
Related Benefits	1,999,011	2,087,012	2,382,997	2,656,301	2,398,332	15,335
Total Operating Expenses	2,667,567	1,595,354	1,751,248	1,768,972	1,751,248	0
Professional Services	1,536,986	2,607,254	2,673,843	2,614,354	2,550,837	(123,006)
Total Other Charges	705,704	1,255,842	1,076,178	1,256,877	1,205,450	129,272
Total Acq. & Major Repairs	416,318	306,634	310,634	322,346	389,146	78,512
TOTAL EXPENDITURES AND REQUEST	<b>\$16,515,990</b>	<b>\$17,419,278</b>	<b>\$17,640,745</b>	<b>\$18,347,794</b>	<b>\$17,922,909</b>	<b>\$282,164</b>
AUTHORIZED FULL-TIME EQUIVALENTS: Classified	185	185	186	186	184	(2)
Unclassified	21	21	21	21	19	(2)
<b>TOTAL</b>	<b>206</b>	<b>206</b>	<b>207</b>	<b>207</b>	<b>203</b>	<b>(4)</b>

## SOURCE OF FUNDING

This program is funded from Fees and Self-generated Revenues, Statutory Dedications and Federal Funds. The Fees and Self-generated Revenues are derived from various fees and licenses authorized by R.S. 22:1078 and the La. Insurance Rating Commission assessment authorized by R.S. 22:1419. The Statutory Dedications are from the Administration Fund (Health Insurance Portability Administrative Act) comprised of penalties and an assessment not to exceed .0002 of the amount of premiums received in this state by Health insurers during the preceding year ending December 31. Statutory Dedications are also from the Insurance Fraud Investigation Fund from assessments on various policies written in Louisiana. (Per R.S. 39:36B(8), see table below for a listing of expenditures out of each Statutorily Dedicated Fund.) The Federal Funds are provided under the Health Information, Counseling and Assistant Grant Award, made under the authority of Section 4360 of the Omnibus Budget Reduction act of 1990 (Public Law 101-508).

	<b>ACTUAL</b>	<b>ACT 13</b>	<b>EXISTING</b>	<b>CONTINUATION</b>	<b>RECOMMENDED</b>	<b>OVER/(UNDER)</b>
	<b>2001-2002</b>	<b>2002-2003</b>	<b>2002-2003</b>	<b>2003-2004</b>	<b>2003-2004</b>	<b>EXISTING</b>
Administrative Fund	\$502,270	\$631,634	\$631,634	\$636,255	\$654,152	\$22,518
Insurance Fraud Investigation Fund	\$227,818	\$214,718	\$214,718	\$214,718	\$214,718	\$0

## MAJOR FINANCIAL CHANGES

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$17,419,278	206	<b>ACT 13 FISCAL YEAR 2002-2003</b>
			<b>BA-7 TRANSACTIONS:</b>
\$0	\$112,554	0	Continuation of professional service contracts for financial examinations of Louisiana-domiciled insurance companies
\$0	\$98,461	1	Increased workload associated with the legally revised Louisiana Capital Companies Tax Credit Program (CAPCO)
\$0	\$10,452	0	Carryforward BA-7 for federal funds for the Senior Health Insurance Information Program
\$0	\$17,640,745	207	<b>EXISTING OPERATING BUDGET - December 2, 2002</b>
\$0	\$145,439	0	Annualization of FY 2002-2003 Classified State Employees Merit Increase
\$0	\$144,078	0	Classified State Employees Merit Increases for FY 2003-2004
\$0	\$322,346	0	Acquisitions & Major Repairs
\$0	(\$310,634)	0	Non-Recurring Acquisitions & Major Repairs
\$0	(\$10,452)	0	Non-Recurring Carry Forwards
\$0	\$287,449	0	Salary Base Adjustment
\$0	(\$218,484)	0	Attrition Adjustment
	(\$206,734)	(4)	Personnel Reductions
\$0	\$29,467	0	Risk Management adjustment
\$0	(\$200,844)	0	Maintenance of state-owned buildings
\$0	\$90,236	0	Group Insurance adjustment
\$0	\$89	0	UPS fees
\$0	\$720	0	Civil Service fees
\$0	\$623	0	Legislative Auditors fees
\$0	(\$82,789)	0	Non-recur Office of Group Benefits premium adjustment
\$0	(\$112,554)	0	Non-recur funding for prior year professional services
\$0	\$34,714	0	Civil Service Training Series adjustment
\$0	\$3,477	0	Annualization of FY 2002-03 partially funded positions
\$0	\$7,251	0	Increased cost for legal services provided by Department of Justice
\$0	\$66,800	0	Funding for expansion of information technology scanning services
\$0	\$10,234	0	Increased Division of Administrative Law fees for administrative hearings

## MAJOR FINANCIAL CHANGES

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$137,012	0	Capitol Park Security
\$0	\$8,760	0	Statewide E-mail System fees - Office of Computer Services
\$0	\$27,360	0	Annualization of Office of Telecommunications Management dataport charges for the Poydras Building
\$0	\$108,600	0	Annualization of Office of Telecommunications Management fees for Data Dial Tone Service
<b>\$0</b>	<b>\$17,922,909</b>	<b>203</b>	<b>TOTAL RECOMMENDED</b>
<b>\$0</b>	<b>\$0</b>	<b>0</b>	<b>LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS</b>
<b>\$0</b>	<b>\$17,922,909</b>	<b>203</b>	<b>BASE EXECUTIVE BUDGET FISCAL YEAR 2003-2004</b>
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$0	0	None
<b>\$0</b>	<b>\$0</b>	<b>0</b>	<b>TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE</b>
<b>\$0</b>	<b>\$17,922,909</b>	<b>203</b>	<b>GRAND TOTAL RECOMMENDED</b>

## **PROFESSIONAL SERVICES**

\$2,550,837	Contracts for accounting, auditing, and actuarial, etc.
\$0	To be determined - Accounting, legal and others contracts deemed required by the department to carry out the mission of the department
<b>\$2,550,837</b>	<b>TOTAL PROFESSIONAL SERVICES</b>

**OTHER CHARGES**

\$2,924     Transcribing services for hearings

**\$2,924     SUB-TOTAL OTHER CHARGES**

**Interagency Transfers:**

\$13,377     Civil Service fees

\$787     CPTP training

\$5,810     UPS fees

\$7,463     Treasury fees

\$167,532     Capitol Security fees - Department of Public Safety

\$188,495     Maintenance of State-owned Building

\$109,459     Division of Administrative Law for administrative hearings

\$143,243     Legal services provided by the Department of Justice

\$395,174     Office of Telecommunications Management fees

\$102,317     Office of Risk Management fees

\$8,760     Office of Computer Services - Statewide E-mail System

\$60,109     Office of the Legislative Auditor - Audit fees

**\$1,202,526     SUB-TOTAL INTERAGENCY TRANSFERS**

**\$1,205,450     TOTAL OTHER CHARGES**



## **ACQUISITIONS AND MAJOR REPAIRS**

\$322,346	Replacement of personal computers, laptop, printers, serves, power vault storage units and one replacement vehicle.
\$66,800	Funding for expansion of information technology scanning services
<b>\$389,146</b>	<b>TOTAL ACQUISITIONS AND MAJOR REPAIRS</b>